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# Placing Arkansas School Funding Data in the National Context

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### THE ARKANSAS SITUATION

In November 2002, the Arkansas Supreme Court found the Arkansas school funding system to be unconstitutional. The decade long court battle, *Lake View v Huckabee*, concluded when the Supreme Court determined that the state needed to develop a new system to provide a “general, suitable and efficient system of free public schools equally available to all” as called for by the Arkansas Constitution (Article 14, § 1). Arkansas, however, is not alone in being taken to court over the equity and adequacy of its school funding system. Since 1960, over 40 states’ educational funding systems have been legally challenged. Since these issues are not unique to Arkansas, viewing these challenges in the national context by presenting adequacy and equity data from each state is useful. The goal of this policy brief is to present educational data related to adequacy and equity for Arkansas and the rest of the United States.

The adequacy of Arkansas’ funding system is examined by investigating the levels of expenditure, teacher salary levels, and school performance as measured by student scores on the National Assessment of Educational Progress (NAEP) exam. The level of equity within the state as compared to other states in the nation is based on standard school finance equity measures such as the Federal Range Ratio and the Coefficient of Variation. Finally, data on the sources of revenue for schools in Arkansas as compared to other states are presented to recognize the potential sources of the new revenue that the Court required.

Overall, the adequacy comparisons indicate that students in Arkansas, in comparison to their peers from other states, have access to lower levels of educational funding, are instructed by teachers earning comparatively lower salaries, and perform relatively lower on national educational assessments.

### EDUCATIONAL ADEQUACY

With regard to educational adequacy, we first compared Arkansas’ per pupil expenditures over the last four decades to the expenditures of the nation and neighboring states. This comparison revealed that Arkansas has spent less per pupil than most other states over the last 40 years—spending almost 20 percent less than the national average. Even after adjusting for cost of living differences, Arkansas continues to spend less than most other states, ranking 44 of 51 states (including the District of Columbia) in 2000-2001 (see Table 1). Another aspect of educational adequacy considered by the court in *Lake View v Huckabee* is teacher salary. Arkansas, while paying higher salaries than several surrounding states, provides lower salaries than most states and the nation (see Table 1). Again, after adjusting for cost of living differences, Arkansas teachers’ salaries rank 35 of 51 states. Beginning teachers, however, did not fare as well—that is, starting teachers’ salaries in Arkansas rank 43 of 51 states.

In addition to per pupil expenditure and teacher salaries, student performance was the final component in our educational adequacy comparison. Arkansas students did score near the national average in proficiency on the 2003 NAEP exams in reading and math. Notwithstanding, Arkansas students’ reading scores were comparatively higher than their math scores. Of 51 states, fourth grade reading scores ranked 36, while eighth grade students’ scores ranked 35. Of 51 states, fourth grade math scores ranked 39, while eighth grade students’ scores ranked 45.

### EDUCATIONAL EQUITY

There are numerous ways of measuring educational spending equity used by school finance experts. In this brief, we use the Federal Range Ratio and the Coefficient of Variation as these measures of equity in school spending. Comparing Arkansas’ data to

neighboring states and to the nation indicates that Arkansas is a relatively equitable state (see Table 1). The Federal Range Ratio is a comparison between the lowest spending districts and the highest spending districts. Typically, a lower value is considered equitable because it indicates a smaller gap between the highest and lowest spending districts. Arkansas' score of 36.32 ranks third of neighboring states and is 18 of 49 states overall. The Coefficient of Variation is the variation in spending between the districts. Arkansas' value of 11.1 percent is considered relatively equitable; only 16 states are more equitable by this measure. According to these measures of spending equity, Arkansas is an equitable state.

### EDUCATIONAL REVENUE SOURCES

To better understand the revenue sources for the educational system, we examined the local, state, and federal funding percentage and the types of taxes—income, property, and sales. The data show

that 60 percent of Arkansas K-12 education is funded by the state, 31 percent from local sources, and 9 percent from the federal government. These figures show Arkansas as being heavily reliant on state funding. With regard to where the revenue is created, Arkansas has higher than average income and sales taxes, ranking 21 of 51 and 19 of 51 respectively. Arkansans, however, do pay less property tax than do residents of most other states (\$1.38 per \$100, which ranks 31 of 51 states). Regardless of our current rates of income, sales, and property taxes, the legislature has made its decision—a sales tax increase from 5.125 to 6.000 percent.

This increase is expected to raise more than \$370 million in new educational resources each year. This 24 % expansion in state funding represents a major increase in the state's commitment to K-12 education, and most Arkansans—and many observers of school finance around the country—will be watching with interest to see how the state's schools employ this great infusion of new resources.

**Table 1. Equity Statistics Based on Total Education Spending Per Pupil, 1999-2000**

	Average Adjusted Teacher Salary, 2002	Per Pupil Expenditure, 1999-2000	% Funding from State Taxes, 2000-2001	Federal Range Ratio	Coefficient of Variation
Arkansas	\$ 40,733	\$ 5,628	60%	36.32	11.1%
Louisiana	\$ 40,390	\$ 6,256	49%	28.20	8.2%
Mississippi	\$ 38,025	\$ 5,356	55%	44.73	11.6%
Missouri	\$ 40,040	\$ 6,764	38%	73.63	34.8%
Oklahoma	\$ 37,646	\$ 5,770	60%	44.45	13.5%
Tennessee	\$ 43,172	\$ 5,521	44%	38.91	12.5%
Texas	\$ 44,110	\$ 6,161	42%	34.87	11.6%
US Average	\$ 44,367	\$ 7,392	50%	NA	NA
AR Rank of 49 States (high=1)	6	48	13	18	17

*Written by: Gary W. Ritter & Joshua H. Barnett*

For a complete explanation of these measures and a complete copy of this report, contact the Office for Education Policy at the University of Arkansas at (479) 575-3773